GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA

UNSTARRED QUESTION NO:2928
ANSWERED ON:16.03.2001
WITHDRAWAL OF SPECIAL FACILITIES BY RUSSIA
T.M. SELVAGANAPATHI

Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) whether Russia alongwith Egypt, formed traditionally the largest market for Indian tea;

(b) if so, whether Russia has withdrawn the special facility being accorded to Indian Tea by way of requirement of payment of value added tax by importers at the time of sale of the tea and not at the time of import;

(c) whether this decision of Russia has caused a set back for the Indian tea;

(d) if so, whether the Government took up the matter with the Russian authorities; and

(e) if so, the details thereof and the response of Russian Government thereto ?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY (SHRI OMAR ABDULLAH)

(a) & (b) : Yes Sir. The facility of 20% VAT exemption at the point of customs clearance which was available to importers of Indian tea into Russia under Rupee Debt Repayment Route, has been withdrawn with effect from 1st January, 2001.Earlier, on such tea imports VAT was payable after one month of customs clearance in Russia.

(c) to (e) : Yes Sir. Consequent to such decision by Russia, Indian tea buying under Rupee Debt Repayment Route has become less attractive for Russian importers. Withdrawal of the special facility is an internal decision of the Russian authorities. However, various issues concerning bilateral trade and economic co-operation and steps for further development including problems being faced by exporters of tea to Russia were discussed in the Seventh Session of the Indo-Russian Working Group on Trade and Economic Co-operation under the aegis of the Indo-Russian Inter-Governmental Commission on Trade, Economic, Scientific, Technological and Cultural Co-operation held in January, 2001 at Moscow. Yet the Russian side response on the VAT question for Tea has not so far been encouraging.